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Budget and programme of work for the biennium 2016–2017 and the Environment Fund and other budgetary matters

Status of the Environment Fund and other sources of funding of the United Nations Environment Programme

Report of the Executive Director**

The present report, submitted pursuant to paragraph 14 of Governing Council decision 27/13, provides information on the financial status of the Environment Fund and other sources of funding for the United Nations Environment Programme for the biennium 2012–2013.

* Reissued for technical reasons on 23 June 2014.

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I. Overview

1. This report is intended to provide members of the United Nations Environment Assembly (UNEA) with succinct overview of the financial position of the organization. During this reporting period the member states approved the landmark document entitled "The future we want" at the Rio +20 conference which provided for the strengthening and upgrading of the United Nations Environment Programme (UNEP), including by establishing universal membership in its Governing Council. It also provided for UNEP to have "secure, stable, adequate and increased financial resources from the regular budget of the United Nations and voluntary contributions to fulfil its mandate."

2. In addition to governance decisions, the UNEP universal membership session also approved the medium-term strategy for the period 2014–2017 and a revised programme of work for the biennium 2014–2015, approving appropriations for the Environment Fund amounting to $245 million. The UNEA session noted that the allocation of the United Nations regular budget to UNEP would be approved by the GA at its 68th session. Subsequently the GA on December 27th approved the allocation of the United Nations regular budget to UNEP amounting to $34.9 million for 2014-2015.

3. The financial statements of UNEP for the biennium 2012-2013 show a prudently and effectively managed organization, following the aftermath of a global financial crisis when many member states enacted comprehensive austerity measures. UNEP received income of $152.2 million for the Environment Fund, in addition to balance carried forward of $13.3 million from biennium 2010-2011, thus total resources available amounted to $165.5 million, which represents 87% of the approved budget of $19 million.

4. In spite of challenging fiscal situations, Member States have overwhelmingly continued to support UNEP in particular through trust fund and earmarked contributions towards UNEP Programme of Work activities. Contributions to this category amounted to $392 million which remarkably exceeded the budgeted amount of $242 million by $150 million or 62%. These funds are often specific and targeted to certain projects; this in some cases creates an imbalance in the resource distribution among the sub-programmes as compared to the approved Programme of Work.

5. For the biennium 2012–2013, the total revised appropriations from the regular budget are $18.4 million that amount includes $1.5 million for UNSCEAR and $3.1 million from United Nations Development Account. The amount is allocated to UNEP headquarters and the UNEP offices in New York and Geneva. Table 6 below shows that 2012-2013 expenditures amounted to US$ 16.7 million. Unspent appropriations were mainly against the Development Account

6. For both the Environment Fund and extrabudgetary resources, the UNEP delivery rate is in line with the available resources or the approved budget where full funding has been provided. Prudent financial management was paramount in the context of aftermath of the global financial crisis. UNEP therefore had to focus simultaneously on delivering the Programme of Work for 2012-2013 while carrying out austerity measures and exercising careful fund management and management oversight. While UNEP has seen a temporary decrease in terms of Environment Fund contributions nonetheless the associated expenditures have been managed to be in line with available resources. Certain critical costs such as the staffing costs of the Environment Fund have decreased by $6 million or 5% from the last biennium ($113 million in 2012-2013 as compared to $119 million in 2010-2011)

7. Early in 2012 the external auditors brought the attention of UNEP to its exposure to substantial exchange loss risk as a result of the large amounts of Euro's held on behalf of UNEP by the United Nations Treasurer. The unrealized exchange loss stood at $13.3 million at the beginning of the biennium and the actual amount of Euros held in UNEP accounts was valued at $187 million (USD). Through effective management and consultation with the United Nations Controllers office, UNEP decreased its Euro holding which is currently valued at $7.6 million (USD) as of December 2013. The associated exchange rate risk related the Euro vs. the USD for UNEP posed a great financial risk which by May 2012 at was valued at an unrealized loss of over $20 million. Over a period of several months UNEP reduced the Euro exchange loss exposure and has kept only the amount needed for operational needs. Management has also put in place policies to ensure that the amount of Euros held by UNEP is within tolerant risk levels and in compliance with FAFA requirements.

8. During this reporting period UNEP also planned and prepared for two major administrative reforms that are due to take effect in 2014 namely: the transition from United Nations System Accounting Standards(UNSAS) to International Public Sector Accounting Standards (IPSAS), and the introduction of Umoja,, which is the United Nations new enterprise resource planning (ERP) system). The implementation of IPSAS is a significant achievement for UNEP and raises further the standard of financial reporting. Financial reporting is a critical element of governance and of sound management, both of which are central parts of the United Nations Reforms. The main benefits of IPSAS are

increased transparency which provides a better understanding of the UNEP financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets, and decision-making. Also critical to the administrative reforms is the Umoja system. Umoja will be the United Nations' new central administrative system, replacing multiple and fragmented legacy systems such as IMIS, Mercury and Sun.

9. In preparation for these two administrative reforms UNEP has worked diligently to clean up its books with the closure of over 750 inactive IMIS projects and conducted many awareness and training sessions on IPSAS. In addition UNEP implemented during the latter half of the 2012-2013 biennium more rigorous criteria for the recognition and booking of obligation that are related to future year projects following de facto IPSAS guidelines and this has resulted in lower expenditures than in previous biennium which strictly followed UNSAS.

10. UNEP PSC charges are expressed as a percentage of direct costs. The purpose of the PSC charge is to recover incremental indirect costs. Incremental costs are defined as the additional costs incurred supporting activities financed from extra-budgetary contributions. This charge is intended to ensure that the additional cost of supporting activities financed from extra-budgetary contributions is not borne by other core resources of UNEP. UNEP has implemented cost recovery measures that are in line with the guidance given in ST/SGB/188 and while at the same confining costs charges to be in line with administrative services provide. The PSC fund (OTA) under UNEP is has a positive fund balance of $12.6 million (including reserve of $4.5 million), this surplus will assist UNEP with the resource requirements needed to implement Umoja at all of UNEP worldwide locations.

II. Funding sources of UNEP programme of work

11. The total approved budget for the UNEP Programme of Work for the biennium 2012-2013 was US$ 479.6 as shown in Table 1. Expenditures recorded in 2012-2013 against all sources of funds amounted to US$ 438.4 million or 91% of the budget.

Table 1
Budget, Income & Expenditure by funding type: Figures in USD millions

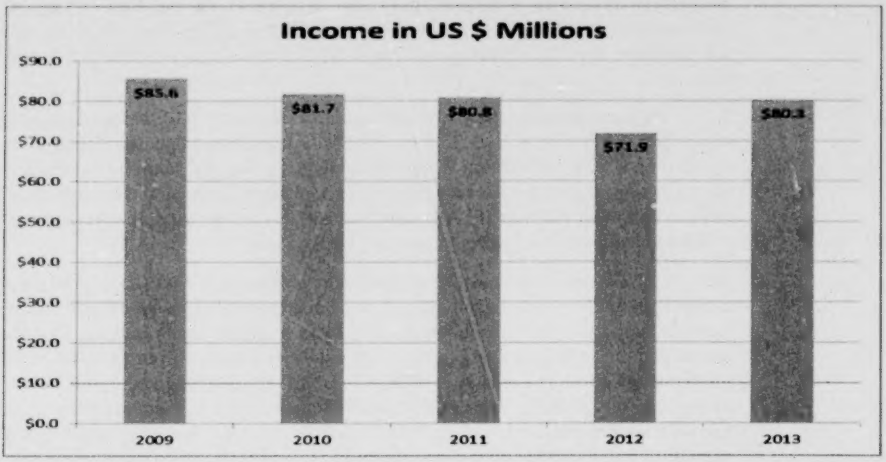
Fund source	Budget	Income	Expenditure	Expenditure to budget (percentage)
Environment fund	191	152	156	82
Trust funds and earmarked contributions	242	392	238	98
Programme support	28	26	27	96
Regular budget	19	18	17	90
Total	480	602	438	91

A. Environment Fund

12. The Governing Council at its 26th session approved appropriations for the Environment Fund a budget of US$191 million with a ceiling of US$ 122.3 million for staff costs. Actual staff-related expenditure during the biennium 2012-2013 amounted to US$ 113 million which was within the approved staff costs ceiling and represents a decrease of $6 million from the 2010-2011 biennium staff costs.

13. Income from contributions directly supporting the Environment Fund for 2012-2013 amounted to US$ 152.2 million. This was in addition to US$ 13.3 million carried over from the previous biennium. Therefore the total available resources amounted to US$ 165.5 was US$ 25.5 million less than the approved budget of US$ 191 million. The figure below shows the trend of contributions to the Environment Fund from 2009 to 2013.

Contributions to the Environment Fund in 2009-2013 as at 31 December each year (amounts in US$ millions)



14. Taking into account the shortfall of $25.5 million in contributions received during 2012-2013, the Executive Director issued allocations of US$ 158 million of which US$ 137 million was for Environment Fund Programme activities, US$ 15.9 million for the Environment Fund Biennial Support Budget and US$ 5 million for Fund Programme Reserve. Expenditure in 2012-2013 was US$ 156 million against the US$ 158 million allocation, hence a 98.7% fund utilization rate. Table 2 below shows the approved budget, allocations and expenditures by sub-programmes as at 31 December 2013.

Table 2
Environment Fund
2012-2013 Programme of work budget, allocations and expenditure (amounts in US$ thousands)

	2012-2013 GC Approved budget	2012-2013 Allocation issued	Environment Fund Expenditure	Allotment Utilizations (percentage)
A. Executive direction and management	**9 041**	**7 728**	**7 585**	**98**
Sub Total A	**9 041**	**7 728**	**7 585**	**97**
B. Programme of work				
1. Climate change	30 788	24 786	25 303	**102**
2. Disasters and conflicts	10 454	5 920	6 155	**103**
3. Ecosystem management	36 226	28 130	27 787	**99**
4. Environmental governance	41 622	40 936	39 933	**98**
5. Chemicals and wastes	19 543	17 183	17 328	**101**
6. Resource efficiency	26 867	20 012	19 773	**99**
Subtotal B	**165 500**	**136 967**	**136 279**	**99**
C. Fund programme reserve	**6 365**	**5 030**	**3 951**	**79**
Subtotal B+C	**171 865**	**141 997**	**140 230**	**99**
D. Programme management and support	10 055	8 188	8 051	**98**
Subtotal D	**10 055**	**8 188**	**8 051**	**98**
Grand Total (A+B+C+D)	**190 961**	**157 913**	**155 866**	**99**

B. Trust funds and earmarked contributions

15. There are 124 active trust and earmarked funds, including 70 that directly support the UNEP programme of work, 47 that support UNEP-administered conventions, protocols and regional seas programmes and 7 that belong to a category known as "special trust funds", including the Global Environment Facility and the Multilateral Fund for the Implementation of the Montreal Protocol.

16. Resources available for the biennium 2012–2013 from trust and earmarked funds directly supporting the UNEP programme of work total $529.6 million, of which $137.7 million was the balance brought forward from the prior biennium, and $392 million in income received during 2012-2013, including contributions from the European Commission under ENRTP.

17. Expenditures in the 2012–2013 biennium amounted to $227.5 million. The balance of $302 million as at 31 December 2013 was carried forward to the 2014–2015 biennium. Table 3 below shows budget, allotments and expenditures as at 31 December 2013.

Table 3
Trust funds and earmarked expenditures as at 31 December 2013 (amounts in US$ thousands)

Sub-programmes	2012-2013 GC approved budget	2012-2013 Allocation issued	Fund expenditure	Allotment utilizations (percentage)
1. Climate change	50 838	102 786	66 297	65
2. Disasters and conflicts	39 233	25 846	23 006	89
3. Ecosystem management	28 326	54 312	37 429	69
4. Environmental governance	39 077	72 213	50 182	69
5. Chemicals and wastes	39 960	39 156	27 606	70
6. Resource efficiency	44 452	55 366	33 589	61
Management and administration	212	1 587	806	51
Adjustments*			(11 400)	
Grand total	242 098	351 267	227 514	

* This relates to IPSAS cleanup and other adjustments.

C. Support account for trust funds and earmarked contributions

18. The Programme Support Account income is generated from the administrative overhead charged to trust funds and earmarked contributions based on their actual expenditures, in accordance with the United Nations Regulations and Rules. The rationale behind this provision is to ensure that activities financed through extra-budgetary resources (i.e. Trust Funds and Earmarked Contributions) do not create any additional burden to the United Nations Regular Budget, or in the case of UNEP, the Environment Fund budget which is UNEP's core budget. For UNEP administered conventions, 67% of the Programme Support Account for Trust Funds and Earmarked Contributions resources are allocated towards their Secretariats for the provision of fund management and administrative services. The balance of the Programme Support Account budget covers the administrative costs of managing Trust Funds and Earmarked Contributions incurred by UNEP and UNON.

19. Table 4 below shows total income from programme support resources for the biennium 2012-2013 was US$ 28.2 million. Expenditure to 31 December 2013 was US$ 26.9 million against an allotment of US$ 28.8 million an expenditure rate 93% of the allotment.

Table 4

Programme Support Resources as at 31 December 2013 (amounts in US$ thousands)

Sub-programme	2012-2013 GC Approved budget	2012-2013 Allocation issued	Expenditures	Allotment utilizations (percentage)
Programme management and support	28 183	28 894	26 947	93
Total	**28 183**	**28 894**	**26 947**	**93**

D. Regular budget

20. The Regular Budget of the United Nations provides support to the United Nations Environment Programme (UNEP) in line with the General Assembly resolution 2997 (XXVII). When it established UNEP, the Assembly decided that "the costs of servicing the Governing Council and providing the small secretariat… shall be borne by the Regular Budget of the United Nations".

21. For the biennium 2012–2013, the total revised appropriations from the regular budget were $18.4 million that amount includes $1.5 million for UNSCEAR and $3.1 million from United Nations Development Account. The amount was allocated to UNEP headquarters and the UNEP offices in New York and Geneva. Table 5 below shows that 2012-2013 expenditures amounted to US$ 16.7 million

Table 5

Regular Budget 2012–2013 appropriations, allocations and projected expenditures as at 31 December2013

Subprogrammes	2012-2013 GC approved budget*	2012-2013 allocation issued	Regular budget expenditure	Allotment utilizations (percentage)
Executive direction, policy making bodies and UNSCEAR	5 275	5 275	5 234	99
Climate change	1 784.0	1 784.0	1 713	96
Disasters and conflicts	564.4	564.4	593	105
Ecosystem management	3 164.0	3 164.0	2 455	78
Environmental governance	4 980.0	4 980.0	4 298	86
Chemicals and wastes	387.4	387.4	376	97
Resource efficiency	782.4	782.4	589	75
Programme support	1 463.0	1 463.0	1 435	98
Grand total	18 400	18 400	16 694	91

*The budget includes US$ 3.1 million from United Nations Development Account

E. Trust Funds and Earmarked contribution in Support of Conventions, Regional Seas and Special Accounts which are not included in the UNEP Programme of Work

22. Table 6 below shows the breakdown of projected resources for UNEP administered Conventions, Regional Seas and Special Accounts. They include the MEAs, the Multilateral Fund and funds supporting the Global Environment Facility. They are accounted for within UNEP financial statements but are outside of the UNEP Programme of Work

Table 6

Trust Funds and Earmarked contribution in Support of Conventions, Regional Seas and Special Accounts – flow and use of resources for 2012-2013 as at 31 December 2013 (amounts in US$ thousands)

Categories	*Opening balances as at 01 January 2012*	*2012-2013 income*	*Expenditure and adjustments*	*Balances as at 31 December 2013*
Trust funds and earmarked contributions for conventions and regional seas	85 422	253 840	204 741	134 521
Multilateral Fund for the Montreal Protocol	362 727	266 211	306 369	322 569
Global Environment Facility funds	41 786	126 935	132 940	35 781
Total	**489 935**	**646 986**	**644 050**	**492 871**

Annex I

2012-2013 Income to UNEP Environment Fund (amounts in US$)

	Country	2012 pledges	2012 paid	2013 pledges	2013 paid	2012-2013 Unpaid
1	Afghanistan	1 225	1 225	1 000	1 000	–
2	Algeria	–	–	10 000	10 000	–
3	Andorra	39 474	39 474	39 291	39 291	–
4	Angola	2 400	2 400	1 200	1 200	–
5	Argentina	70 000	70 000	50 000	50 000	–
6	Armenia	2 500	2 500	2 500	2 500	–
7	Australia	1 201 645	1 201 645	1 124 007	1 124 007	–
8	Austria	523 520	523 520	536 800	536 800	–
9	Bahamas	–	–	3 500	3 500	–
10	Bangladesh	653	653	653	653	–
11	Barbados	2 500	2 500	2 500	2 500	–
12	Belarus	16 000	16 000	16 000	16 000	–
13	Belgium	–	–	5 929 105	5 929 105	–
14	Belize	950	950	950	950	–
15	Bhutan	1 450	1 450	–	–	–
16	Bosnia Herzegovina	12 000	12 000	–	–	–
17	Botswana	–	–	7 000	7 000	–
18	Bulgaria	17 000	17 000	17 000	17 000	–
19	Burkina Faso	5 646	5 646	–	–	–
20	Cambodia	2 000	2 000	2 000	2 000	–
21	Cameroon	22 573	22 573	9 948	9 948	–
22	Canada	3 000 000	3 000 000	2 968 780	2 968 780	–
23	Cape Verde	–	–	3 073	3 073	–
24	Chile	–	–	20 000	20 000	–
25	China	500 000	500 000	500 000	500 000	–
26	Colombia	50 000	50 000	22 971	22 971	–
27	Congo	–	–	2 000	2 000	–
28	Costa Rica	3 243	3 243	7 179	7 179	–
29	Croatia	33 000	33 000	33 000	33 000	–
30	Cyprus	44 000	44 000	44 000	44 000	–
31	Czech Republic	49 845	49 845	59 377	59 377	–
32	Denmark	4 371 852	4 371 852	4 602 187	4 602 187	–
33	Ecuador	7 600	7 600	4 500	4 500	–
34	Egypt	25 000	25 000	25 000	25 000	–
35	Estonia	–	–	26 302	26 302	–
36	Ethiopia	1 600	1 600	–	–	–

	Country	2012 pledges	2012 paid	2013 pledges	2013 paid	2012-2013 Unpaid
37	Fiji	4 481	4 481	–	–	–
38	Finland	4 402 886	4 402 886	4 364 240	4 364 240	–
39	France	5 850 000	5 850 000	5 850 000	5 850 000	–
40	Gambia	1 000	1 000	–	–	–
41	Georgia	3 000	3 000	3 000	3 000	–
42	Germany	9 696 293	9 696 293	9 889 998	9 889 998	–
43	Greece	–	–	250 000	250 000	–
44	Guatemala	–	–	5 823	5 823	–
45	Guyana	1 005	1 005	995	995	–
46	Honduras	–	–	1 140	1 140	–
47	Hungary	10 000	10 000	9 975	9 975	–
48	Iceland	38 000	38 000	–	–	–
49	India	100 000	50 000	100 000	–	150 000
50	Indonesia	59 000	59 000	–	–	–
51	Iran (Islamic Republic of)	–	–	60 908	60 908	–
52	Iraq	6 500	6 500	3 800	3 800	–
53	Ireland	470 000	470 000	470 000	470 000	–
54	Israel	20 000	20 000	140 000	140 000	–
55	Japan	2 779 194	2 779 194	2 779 194	2 779 194	
56	Jordan	–	–	5 000	5 000	–
57	Kazakhstan	22 975	22 975	31 950	31 950	–
58	Kenya	30 000	30 000	30 000	30 000	–
59	Kuwait	200 000	200 000	200 000	–	200 000
60	Kyrgyzstan	950	950	950	950	–
61	Lao People's Democratic Republic	2 000	2 000	–	–	–
62	Lebanon	–	–	7 000	7 000	–
63	Lesotho	10 228	10 228	–	–	–
64	Liechtenstein	9 000	9 000	9 000	9 000	–
65	Lithuania	23 000	23 000	23 000	23 000	–
66	Luxembourg	660 313	660 313	638 570	638 570	–
67	Madagascar	999	999	–	–	–
68	Malaysia	40 000	40 000	40 000	40 000	–
69	Maldives	2 000	2 000	2 000	2 000	–
70	Mauritius	12 998	12 998	5 000	5 000	–
71	Mexico	350 000	350 000	350 000	350 000	–
72	Micronesia (Federated States of)	760	760	–	–	–
73	Moldova	950	950	950	950	–

	Country	2012 pledges	2012 paid	2013 pledges	2013 paid	2012-2013 Unpaid
74	Monaco	26 437	26 437	26 152	26 152	–
75	Mongolia	8 938	8 938	–	–	–
76	Morocco	15 621	15 621	16 000	–	16 000
77	Namibia	1 750	1 750	–	–	–
78	Netherlands	10 017 600	10 017 600	10 248 000	10 248 000	–
79	New Zealand	–	–	260 000	260 000	–
80	Nicaragua	1 000	1 000	1 706	1 706	–
81	Norway	3 000 000	3 000 000	3 000 000	3 000 000	–
82	Oman	–	–	28 000	28 000	–
83	Pakistan	10 964	10 964	10 949	10 949	–
84	Panama	10 000	10 000	10 000	10 000	–
85	Papua New Guinea	1 000	1 000	–	–	–
86	Peru	19 000	19 000	10 000	10 000	–
87	Philippines	19 000	19 000	19 000	19 000	–
88	Poland	150 000	150 000	150 000	150 000	–
89	Portugal	50 000	50 000	50 000	–	50 000
90	Republic of Korea	307 931	307 931	391 719	391 719	–
91	Romania	95 000	95 000	–	–	–
92	Russian Federation	900 000	900 000	1 500 000	1 500 000	–
93	Rwanda	950	950	–	–	–
94	Samoa	–	–	793	793	–
95	Saudi Arabia	–	–	133 005	133 005	–
96	Serbia	17 000	17 000	17 000	17 000	–
97	Seychelles	1 200	1 200	–	–	–
98	Sierra Leone	1 000	1 000	1 000	1 000	–
99	Singapore	50 000	50 000	50 000	50 000	–
100	Slovakia	55 000	55 000	55 000	55 000	–
101	Slovenia	–	–	98 000	98 000	–
102	South Africa	63 000	63 000	63 000	63 000	–
103	Spain	456 225	456 225	152 650	152 650	–
104	Sri Lanka	5 100	5 100	5 100	–	5 100
105	St Kitts & Nevis	475	475	475	475	–
106	St Lucia	–	–	931	931	–
107	Suriname	1 000	–	–	–	1 000
108	Sweden	4 882 142	4 882 142	4 793 101	4 793 101	–
109	Switzerland	4 358 546	4 358 546	4 661 023	4 661 023	–
110	Thailand	24 487	24 487	25 000	25 000	–
111	Timor-Leste	950	950	950	950	–
112	Trinidad and Tobago	13 000	13 000	13 000	–	13 000

	Country	2012 pledges	2012 paid	2013 pledges	2013 paid	2012-2013 Unpaid
113	Turkey	425 000	425 000	425 000	425 000	–
114	Uganda	12 669	12 669	–	–	–
115	United Arab Emirates	40 000	40 000	40 000	40 000	–
116	United Kingdom of Great Britain and Northern Ireland	5 707 440	5 707 440	5 571 360	5 571 360	–
117	United States of America	6 587 000	6 587 000	6 247 000	6 247 000	–
118	Vietnam	7 500	7 500	–	–	–
119	Zambia	2 000	2 000	4 413	4 413	–
120	Zimbabwe	1 000	1 000	–	–	–
	Misc Income	252 219	252 219	352 357	352 357	–
	Grand Total	**72 414 355**	**72 363355**	**79 775 999**	**79 391 899**	**435 100**

Annex II

Top 15 donors for 2012-2013

	Country	2012 pledges		Country	2013 pledges
1	Netherlands	10 017 600		Netherlands	10 248 000
2	Germany	9 696 293		Germany	9 889 998
3	United States of America	6 587 000		United States of America	6 247 000
4	France	5 850 000		France	5 850 000
5	United Kingdom of Great Britain and Northern Ireland	5 707 440		United Kingdom of Great Britain and Northern Ireland	5 571 360
6	Sweden	4 882 142		Sweden	4 793 081
7	Finland	4 395 180		Switzerland	4 661 023
8	Denmark	4 371 852		Denmark	4 602 187
9	Switzerland	4 358 546		Finland	4 364 240
10	Canada	3 000 000		Norway	3 000 000
11	Norway	3 000 000		Canada	2 968 780
12	Japan	2 779 194		Belgium	5 929 105
13	Australia	1 201 645		Japan	2 779 194
14	Russian Federation	900 000		Russian Federation*	1 500 000
15	Luxembourg	660 313		Australia	1 124 007
	Total contribution by top 15	**67 407 205**		**Total contribution by top 15**	**73 527 974**